

**COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

Petition of Cape Light Compact)	
For extension of its Municipal)	
Aggregation default service)	D.T.E. 03-99
Pilot project)	
_____)	

**COMMENTS OF THE
MASSACHUSETTS DIVISION OF ENERGY RESOURCES**

INTRODUCTION

In the above referenced proceeding the towns and counties acting as the Cape Light Compact (Compact) have petitioned the Department of Telecommunications and Energy (Department, DTE) to approve the extension of the Compact's municipal aggregation default service pilot project pursuant to Chapter 164, section 339 of the Acts of 1997. In its petition the Compact seeks to extend its current default service contract for one additional year through December 31, 2004. The Department originally approved this default service pilot program in D.T.E. 01-63 as a fifteen-month project that began on May 1, 2002 and ended on July 31, 2003. In D.T.E. 03-61, the Department subsequently approved a five-month extension of that program. This first extension permitted the program to continue through December 31, 2003. The Division of Energy Resources (DOER) supported both of the previous petitions.

THE DOER SUPPORTS THE SECOND EXTENSION OF THE DEFAULT SERVICE PILOT PROJECT

The DOER has consistently supported the Compact's efforts to install a municipal aggregation program. The DOER believes the pilot program for default service is consistent with the larger objectives of municipal aggregation. Reasons for the continuation of the pilot program asserted in those proceedings

still apply today. The daily operation of the Community Choice Pilot Program has been and will continue to be invaluable in the identification and removal of barriers to the competitive supply market. Without the Compact's actual administration of its aggregated default service program, the Commonwealth would have little, if any, reliable data to evaluate or anticipate future, larger attempts to aggregate competitive supply for residential or small commercial and industrial customers. This pilot project continues to inform state authorities, local officials, marketers, and others with respect to the administrative concerns, consumer needs, and market realities of which a municipal aggregator must be aware in order to successfully run such a program. Extending the current pilot makes sense where few alternatives exist as the retail market for both municipal and default load has exhibited a marked lack of interest.¹ Furthermore, the Compact has represented that it has received no retail bids for this load.²

The DOER acknowledges the Compact's representations that the new pilot contract for electric supply is substantially similar to the existing contract. There are however, departures in four basic areas: 1) the Electric Supply Agreement updates responsibilities of the parties; 2) the new supply contract necessarily changes the contract term and other dates in which one party could terminate the contract; 3) the contract drops the green power option; and 4) the new contract relies on a Reserve Fund and insurance as financial sureties for non-performance instead of parent guarantees or letters of credit as a result of Mirant's reorganization under Chapter 11. The DOER encourages the Department to verify that the insurance policy provides sufficient protection for consumers.

The Compact avers that would-be default customers on Cape Cod and Martha's Vineyard have saved approximately \$4.7 million during 2002 and 2003 under the Community Choice Pilot Program. They project an additional \$1 million

¹ See Department Order, DTE 02-40-B, April 24, 2003, p.7.

² Compact's Petition, ¶ 18, dated October 17, 2003; DTE 03-99.

dollars in savings to consumers by extending the program through 2004.³ Given that the competitive market has still not matured into a market with ample choices for residential and small commercial and industrial customers, the DOER is persuaded that this second pilot extension will continue to provide valuable savings to these customers who would otherwise be passed over. Moreover, granting the pilot extension will still provide valuable experience to the Compact, Mirant, and NSTAR Electric in the daily administrative logistics involved in servicing tens of thousands of customers in a competitive market.

For all the aforementioned reasons, the Division of Energy Resources supports the Compact's petition for approval to extend its municipal aggregation default service pilot project pursuant to St. 1997, § 339.

Respectfully submitted,

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ServiceList DTE 03-61

³ Id. ¶ 9.